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SIPDIS

SENSITIVE

STATE FOR NEA, EB, EUR/SE

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TAGS: [ECON](#) [PREL](#) [EPET](#) [IZ](#) [TU](#)

SUBJECT: DISCUSSION WITH MFA ON TURKEY-IRAQ TRADE AND
OIL/GAS SHIPMENTS

[11.](#) (U) This cable contains an action request. See para 8.

[12.](#) (SBU) Summary: DCM met with MFA Deputy U/S for Economic Affairs Alev Kilic May 29 to discuss ways in which Turkey could begin establishing a normal trading relationship with Iraq. Kilic said the MFA was ready to move forward on swapping Iraqi refined fuel for Turkish LPG/benzine, getting Kirkuk-Yumurtalik oil flowing again, and normalizing cross-border trade and transit with Iraq, but requested that the U.S. provide information on each of these issues (see action request para 8). End summary.

[13.](#) (SBU) DCM emphasized to MFA Deputy U/S for Economic Affairs Alev Kilic on May 29 that establishing normal trade links between Turkey and Iraq was key to the reconstruction of Iraq, and would also benefit Turkey's economy. DCM raised three situations where Turkey could help. First, he noted that Iraq was facing a critical shortage of Liquid Petroleum Gas (LPG) and benzine (gasoline). The DCM said he understood that SOMO had signed a barter contract with the Turkish company Delta Petroleum, under which Delta would supply LPG and benzine in return for Iraqi refined fuel oil, which Delta would export to third countries. Since the U.S. was currently buying these products in Turkey and delivering them to Iraq through U.S. military contractor KBR, a swap deal with SOMO would help alleviate the shortage in Iraq while saving the U.S. taxpayer tens of millions of dollars (and providing business to Turkish companies). DCM requested the MFA's assistance in obtaining rapid GOT approval of the deal (GOT approval is needed so the goods can cross the border.)

[14.](#) (SBU) Kilic responded that the MFA team that had recently traveled to Iraq had reported the LPG/benzine shortage in Iraq. He said the import of oil products from Iraq was subject to certain restrictions and was governed by the Foreign Trade Undersecretariat. Kilic said the MFA would look favorably on a swap deal, and would pass this on to the Trade Undersecretariat. (Note: On May 28, Embassy had arranged a meeting for Delta executives with Finance Minister Unakitan, with whom Ambassador had previously raised this issue. During the meeting, Unakitan called the Foreign Trade Under Secretary to instruct him to try to find a solution. Foreign Trade chaired an interagency meeting on the subject on May 29, which we understand was "positive" but took no decision. Late on May 30, Delta Petroleum executives called to report that Finance Minister Unakitan had informed them that the Foreign Minister would "clear" on the deal shortly, and that he would personally take it to PM Erdogan for final approval. End note)

[15.](#) (SBU) The DCM said the second area where Turkey could help was in getting the Kirkuk-Yumurtalik oil flow started again. Kilic responded that the GOT shared our interest in resuming the flow, in part because the Turkish refinery at Kirikalle was designed for Iraqi crude (reftel). Kilic said that state oil refining company Tupras was ready to start importing crude from Iraq, but needed a contact name at SOMO. DCM responded that we would try to provide the GOT a contact at SOMO as soon as possible. The DCM and Kilic agreed that the status of the oil already in storage at Ceyhan (which was pumped before sanctions were lifted) was not clear, and agreed to raise this issue with their respective UN missions. (Note: Embassy subsequently obtained SOMO contact information from ORHA staff and passed it to MFA and Tupras. End note)

[16.](#) (SBU) Finally, DCM asked for the GOT's assistance in establishing simplified procedures for the passage of cargo and people at Habur Gate. For example, DCM said, U.S. military contractor KBR was now moving hundreds of Turkish trucks across the border daily, and needed to send some of its expat employees with these convoys. Under current

procedures a U.S. citizen seeking to cross into Iraq at Habur required approval from several GOT agencies after the embassy sent diplomatic note, a process which took weeks.

17. (SBU) Kilic responded that he had just participated in an interagency meeting in which the GOT decided that May 22, the day sanctions were lifted, marked the dawn of a new era for transit and trade between Turkey and Iraq. He said the GOT would seek to normalize all transit and trade across the border, including for non-Turkish citizens, as soon as possible. DCM and Kilic agreed that the entry requirements for individuals seeking to enter Iraq were not clear, and DCM said he would try to obtain this information if possible. Kilic told DCM he would update us as soon as new procedures were in place. In the meantime, he said, the GOT wanted to request U.S. assistance on the Iraqi side of the border. Kilic said that although authorities in Iraq had announced that no customs duties would be levied on imports into Iraq until 2004, the "local administration" in Northern Iraq was charging trucks from Turkey "fees" at whim. He asked if the U.S. could help resolve this situation. MFA Coordinator for Iraq Reconstruction Ambassador Ahmed Okcun echoed this complaint in a May 29 conversation with EconCouns.

18. (SBU) Action request: In order to respond to the GOT's questions and concerns, and move these issues forward as soon as possible, post requests Department and/or USUN's guidance on the following issues:

-- The legal status of the oil in storage at Ceyhan, which was pumped before sanctions were lifted;

-- Any information regarding entry requirements for individuals seeking to travel to Iraq across the Turkish border;

-- Any information Department can provide on the GOT's claims that local groups are charging levies for imports from Turkey into Northern Iraq.

PEARSON